

ACCOUNTANCY EXAMINING BOARD[193A]

Adopted and Filed

Pursuant to the authority of Iowa Code section 542.4, the Accountancy Examining Board amends Chapter 6, “Attest and Compilation Services,” Chapter 7, “Certified Public Accounting Firms,” Chapter 13, “Rules of Professional Ethics and Conduct,” Chapter 20, “Practice Privilege for Out-of-State Certified Public Accountants,” and Chapter 21, “Practice Privilege for Out-of-State Certified Public Accounting Firms,” Iowa Administrative Code.

The amendment to subrule 6.1(3) clarifies who may exercise a practice privilege in Iowa pursuant to Iowa Code section 542.20 as amended by 2012 Iowa Acts, Senate File 2122.

The amendment to subrule 7.1(1) ensures that the rules are consistent and comply with Iowa Code section 542.20 as amended by 2012 Iowa Acts, Senate File 2122. New subrule 7.1(6) clarifies when an out-of-state firm may exercise a practice privilege pursuant to Iowa Code section 542.20 as amended by 2012 Iowa Acts, Senate File 2122.

The amendment to subrule 13.6(2) clarifies what an out-of-state CPA firm may or may not do in Iowa under the practice privilege, in compliance with Iowa Code section 542.20 as amended by 2012 Iowa Acts, Senate File 2122.

The amendment to subrule 20.5(1) clarifies what an out-of-state individual CPA may or may not do in Iowa with regard to attest and compilation services, in compliance with Iowa Code section 542.20 as amended by 2012 Iowa Acts, Senate File 2122. New subrule 20.5(3) clarifies who may review financial statements for a client in Iowa or for a client with a home office in Iowa pursuant to Iowa Code section 542.20 as amended by 2012 Iowa Acts, Senate File 2122.

The amendments to subrules 21.3(2) and 21.5(1) modify the services a firm may perform without Iowa licensure pursuant to Iowa Code section 542.20 as amended by 2012 Iowa Acts, Senate File 2122. New subrule 21.5(3) clarifies when a peer review must be completed in compliance with Iowa Code section 542.7.

Notice of Intended Action was published in the Iowa Administrative Bulletin on August 8, 2012, as **ARC 0254C**. No public comment was received on these amendments. These amendments are identical to those published under Notice.

These amendments have no fiscal impact to the State of Iowa.

These amendments were adopted by the Board on September 20, 2012.

After analysis and review of this rule making, no impact on jobs has been found.

These amendments are intended to implement Iowa Code chapters 17A, 272C, and 546 and Iowa Code section 542.20 as amended by 2012 Iowa Acts, Senate File 2122.

These amendments shall become effective December 5, 2012.

The following amendments are adopted.

ITEM 1. Amend subrule 6.1(3) as follows:

6.1(3) CPAs performing attest services, whether certified in Iowa or exercising a practice privilege, must do so in a CPA firm that holds a permit to practice pursuant to Iowa Code section 542.7. However, a CPA exercising a practice privilege who works for an out-of-state CPA firm that does not hold a permit to practice under Iowa Code section 542.7 may provide review services in Iowa or for a client with a home office in Iowa as long as the firm complies with Iowa Code section 542.20, subsections 5 and 6, as amended by 2012 Iowa Acts, Senate File 2122, and associated rules.

ITEM 2. Amend subrule 7.1(1) as follows:

7.1(1) ~~A~~ Except as provided in subrule 7.1(6), a sole proprietorship, corporation, partnership, limited liability company, or any other form of organization shall apply for a permit to practice as a firm of certified public accountants prior to:

a. Performing or offering to perform audit, review or other attest services in Iowa or for a client with a home office in Iowa; or

b. Establishing an office in Iowa at which the firm uses the title “CPAs,” “CPA firm,” “certified public accountants,” or “certified public accounting firm.”

ITEM 3. Adopt the following **new** subrule 7.1(6):

7.1(6) An out-of-state CPA firm exercising a practice privilege may perform review services in Iowa or for a client with a home office in Iowa without first obtaining a firm permit to practice in Iowa as long as the firm complies with Iowa Code section 542.20, subsections 5 and 6, as amended by 2012 Iowa Acts, Senate File 2122, and associated rules.

ITEM 4. Amend subrule 13.6(2) as follows:

13.6(2) Practice privilege. All audit, review, and other attest services performed in Iowa or for a client with a home office in Iowa must be performed through a CPA firm that holds an active Iowa firm permit to practice; provided that, an out-of-state CPA firm exercising a practice privilege may perform review services in Iowa or for a client with a home office in Iowa without first obtaining a firm permit to practice in Iowa as long as the firm complies with Iowa Code section 542.20, subsections 5 and 6, as amended by 2012 Iowa Acts, Senate File 2122, and associated rules. Unless Iowa certification is specifically required by a governmental body or client, the individual CPAs performing such attest services may either hold an active Iowa CPA certificate or exercise a practice privilege as more fully described in Iowa Code section 542.20 as amended by 2012 Iowa Acts, Senate File 2122. LPAs and LPA firms are not authorized to perform attest services.

ITEM 5. Amend subrule 20.5(1) as follows:

20.5(1) Individuals providing audit, review or other attest services in Iowa or for a client with a home office in Iowa must practice through a CPA firm that holds an active permit to practice pursuant to Iowa Code section 542.7; provided that, an out-of-state CPA firm exercising a practice privilege may perform review services in Iowa or for a client with a home office in Iowa without first obtaining a firm permit to practice in Iowa as long as the firm complies with Iowa Code section 542.20, subsections 5 and 6, as amended by 2012 Iowa Acts, Senate File 2122, and associated rules.

ITEM 6. Adopt the following **new** subrule 20.5(3):

20.5(3) Individuals who provide reviews of financial statements, as provided in Iowa Code section 542.3, subsection 1, in Iowa or for a client with a home office in Iowa must provide such services through a certified public accounting firm that is validly licensed in the state of its principal place of business and that complies with the peer review and ownership provisions of Iowa Code section 542.7.

ITEM 7. Amend subrule 21.3(2) as follows:

21.3(2) Iowa licensure is required if:

- a. The firm performs or offers to perform ~~audit, review or other~~ attest services, other than review services, in Iowa or for a client with a home office in Iowa; or
- b. The firm has one or more offices in Iowa at which the firm uses the title “CPAs,” “CPA firm,” “certified public accountants,” or “certified public accounting firm.”

ITEM 8. Amend subrule 21.5(1) as follows:

21.5(1) ~~Audit, review or other attest~~ Attest services, other than review services, must be performed in Iowa or for a client with a home office in Iowa by a CPA firm that holds an active permit to practice under Iowa Code section 542.7.

ITEM 9. Adopt the following **new** subrule 21.5(3):

21.5(3) CPA firms providing review services in Iowa or for a client with a home office in Iowa must comply with the peer review and ownership provisions of Iowa Code section 542.7.

[Filed 10/4/12, effective 12/5/12]

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EDITOR’S NOTE: For replacement pages for IAC, see IAC Supplement 10/31/12.